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Cost, time commitment make CPA exam a daunting task for next generation

By [Daria Meoli](#), February 22, 2016 at 3:00 AM



Alex Clark, senior associate, Marcum LLP. - (PHOTO BY AARON HOUSTON)

His friends enjoyed their summer after graduation vacationing or partying at a rental on the Jersey Shore.

Alex Clark spent his studying for the CPA exam.

“It was a lot of hard work that summer,” Clark said. “Thankfully, I had a signing bonus and the firm I was working for reimbursed the costs of (the CPA exam review course), so I could focus on studying.

“But, it’s certainly difficult to spend your last summer of freedom — the last time you’ll have three months off — taking a review course and studying in all my free time. A lot of my friends spent that summer traveling or at a beach house, which made it extra difficult to spend that extra time studying, but it was worth it in the long run.”

Today, Clark is a senior CPA at Marcum LLP’s Neptune office, but he still acutely recalls the rigors required to pass the exam five years ago.

The stakes for accounting majors to pass the CPA exam are high.

“One of the stumbling blocks in the accounting profession is that most, if not all the major firms will put up a glass ceiling if you don’t pass the exam,” said C. Daniel Stubbs Jr., CPA and an

assistant professor at Rutgers Business School. “You won’t get up to a management level without it.”

In addition to the impact to accounting majors’ career trajectory, the exam has a significant impact on their wallets. Sitting for the exam isn’t cheap: It costs \$886, plus nearly \$200 in application and registration fees.

By comparison, would-be lawyers pay \$575 plus an additional \$170 in fees to take the bar exam. But it’s not just the money that makes passing the exam so costly. It’s the time CPA candidates have to spend in order to prepare.

Clark equated preparing for the exam to a full-time job. And he’s not alone.

The American Institute of CPAs, the national organization that develops, maintains and scores the exam, estimates that passing all four parts of the CPA exam requires 300 to 400 hours of study.

Considering how high the stakes are, the CPA exam pass rates are low. The average pass rate — both nationally and statewide — in 2015 was around 50 percent. In contrast, the July 2015 New Jersey pass rate for the notoriously grueling bar exam was 70 percent.

The CPA exam is divided into four sections: financial accounting and reporting, or FAR; auditing, or AUD; taxes and law, or REG; and business, environment and concepts, or BEC.

Each one of those parts has a different average pass rate, ranging from 47 percent to 56 percent in 2015. The FAR and AUD sections are four hours each, while BEC and REG are three hours each. Each section is given in New Jersey two times per fiscal quarter. Exam participants are permitted to retake any section they fail, but it has to be within 18 months of passing the other sections.

Among the qualifications for sitting for a CPA exam, accounting majors are required to complete 150 credits — 20 more college credit hours than the average undergraduate student. With all those extra hours of class, why are so many CPA candidates still unable to pass the test?

The institute does a regular practice analysis to assess the skills and knowledge newly licensed CPAs need. The organization assembles task forces and issues surveys to ask both relatively new CPAs and the people who manage these young accountants what information is critical to their practice.

The AICPA analysis resulted in CPA exam changes in 2004 and 2011. The test will change again in April 2017.

BY THE NUMBERS

+/- \$4,000

Total price tag on CPA test

\$2,500 to \$3,500

Average cost of a prep course

\$886

Cost of exam

+/- \$200

in application and registration fees

“The (AICPA) found that the newly licensed CPA needs certain skills and knowledge, which is a subset of the total content taught at the university,” said Denise Probert, director of curriculum for the CPAExcel accounting exam review program for the Hoboken-based publisher John Wiley & Sons Inc.

By several accounts, the AICPA considers “newly licensed” to be CPAs with at least three years of practice experience. So, the test is based on the knowledge base of working accountants, not students.

“One of the disconnects is that the exam is designed to test the skillset of a practicing accountant who has three to five years of experience, not undergraduates,” said Stubbs, who also served on the New York State Board of Accountancy from 1994 to 1997. “That is one of reasons the pass rate is not as high as people might want it to be or might expect it to be.”

To close this inherent experience gap, a lucrative CPA exam review course industry has cropped up.

“The content and skills needed for the CPA exam is a subset of the skills needed by a practicing CPA and a subset of what is taught in the universities,” Probert said. “The review course looks at exactly what the (AICPA) says are the skills and knowledge needed by the newly licensed CPA and places that content — and only that content — in the review course.”

In 1996, the CPA exam became a nondisclosed test, meaning candidates cannot access exams given in years prior. According to Stubbs, before the exam became nondisclosed, candidates would use past exams for the basis of studying. Since that is no longer possible, CPA candidates turn to review courses in droves.

Formal statistics on how many CPA candidates take a review course is difficult to pin down because of all the different types of exam prep available — from informal guides online to comprehensive in-person courses.

But there are, on average, 90,000 unique exam candidates in the U.S. each year who take an average of 225,000 sections of the CPA. Roughly half of all these candidates take some form of CPA review program. These programs can range in cost from \$100 to \$4,000, with the four biggest review providers in the industry being Becker, Roger, Yaeger and Wiley’s CPAExcel program.

According to Probert, “there are some commonalities that lead us to believe that candidates who use some kind of review course will do better. Cognitive research shows us that the more ways we use to attach information to our brains, the stickier that information becomes and the easier it will be to recall in a high stakes, high stress environment.”

Prior to working in the review course industry, Probert was a professor of accounting for more than 20 years.

“It was my experience that professors were very serious about educating our students,” she said. “My classes were very rigorous and, when I taught advanced accounting, I taught every twist and turn that could occur. Students aren’t being prepared for the CPA exam. They were being prepared for the most complicated accounting situations in real life.”

According to the National Association of State Boards of Accounting, 70 percent of CPA exam candidates come from an Association to Advance Collegiate Schools of Business-accredited school and nearly all of those schools have relationships with review providers.

“The various CPA review courses that are available are marketing to the students directly in school,” said Iselin-based Hayes MacArthur, co-partner-in-charge of EisnerAmper’s human resources department. “They go as far as hiring (sales) representatives who are still students. The CPA review business is a big business.”

Sources say Becker employs accounting professors to teach review courses, giving the brand intimate — and influential — access to accounting students.

“The CPA prep course industry has evolved similarly to what we’ve seen with the SAT review course industry,” Stubbs said. “The size of that industry has to be enormous, because the average CPA review course costs about \$2,500. The Big Four firms and many of the midsize firms have some sort of direct relationship with Becker and offer their employees the course free of charge.”

While top firms routinely recruit accounting majors before they even get to register for their 400-level accounting classes, these new hires are given start dates between September and January, just shy of the firms’ busy seasons. In that time, recent graduates are expected to take and pass most, if not all, of their CPA exam sections.

The landscape for recruiting top accounting talent is extremely competitive, and providing CPA exam assistance for new recruits has become a standard part of the job offer from public accounting firms.

“Once accountants start with us, most of their attention is going to be on work,” MacArthur said. “We really encourage them to sit for the exam prior to joining. Once they accept an offer, we’ll pay for their review course before they even start with us. And there can be up to a year lag between when they accept our offer and when they actually start with us. That gives them a big head start on studying.”

Clark, the senior CPA at Marcum, began his full-time accounting career five months after his college graduation. He used that time to take a Becker CPA exam prep course.

“Plenty of colleagues studied while working full-time and it can get crazy,” Clark said. “Some people have to take off to prepare for the exam. At Marcum, they have a sabbatical program where you can still get 20 percent of your salary and take some time off to study.”

While the increasing dependence on CPA review courses may have been a slowly evolving trend, the low pass rates are nothing new.

“Low pass rates have always been the case,” Stubbs said. “CPAs have always bragged that it’s easier to pass the bar than it is to pass the CPA exam. But, the law guys might be more focused on passing their exam because they know they can’t practice until they passed the bar. What often happens is people come to the CPA exam unprepared.”

Probert agrees: “Unfortunately, you don’t know the exam until you actually sit for it,” she said. “There is always the candidates who think they don’t need (a review course) and when they get into the exam they realize maybe they should have done more to prepare.”

And, after young CPAs put this grueling career milestone behind them, most public accountants will move on to work toward the next set of letters to add after their name, including CFA, CFE and more.

“The CPA is just the first of many professional certifications and licenses that a great business accountant will earn,” MacArthur said.

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